

DEPARTMENT OF COMMUNITY SERVICES  
CITY AND COUNTY OF HONOLULU

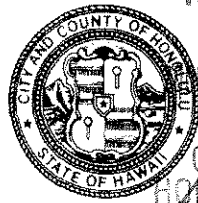
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HONOLULU, I.

April 30, 2009

DEBORAH KIM MORIKAWA  
DIRECTOR

ERNEST Y. MARTIN  
DEPUTY DIRECTOR

The Honorable Nestor Garcia, Chair  
and Members of the Budget Committee  
530 South King Street, Room 202  
Honolulu, Hawaii 96813

Dear Chair Garcia and Councilmembers:

Subject: Budget Communication No. 9  
Council Budget Hearing Questions

This is in response to Budget Committee question of March 24, 2009 regarding providing a listing of the funds lapses in FY 2008 and projected for FY 2009.

**Question 6. a) Please provide a listing of the funds lapsed in FY 2008 and projected for FY 2009. Please also indentify whether these lapses are true losses or paper losses based on funds anticipated to be received from the Federal Government.**

Answer:

The Department of Budget and Fiscal Services (BFS) fiscal office provided the following breakdown of our FY 2008 lapses and FY 2009 projected lapses and whether these lapses are true losses or paper losses based on funds anticipated to be received from the Federal Government.

**FY 2008 Lapses:**

General Fund:	121,528	True lapse
Rental Assistance Fund:	47,600	Carried over to next FY
CDBG Fund:	335,417	Any excess is carried over and reprogrammed
Special Projects Fund (State):	2,287,401	Excess appropriations, paper lapse
	514,388	Carried over to next FY
Federal Grant Fund:	1,403,246	Excess appropriations, paper lapse
	3,605,429	Carried over to next FY
Section 8 Program Fund:	473,116	Carried over to the following FY as HUD and City FY's differ
Leasehold Conversion Fund:	14,291	Carried over to next FY
	8,802,416	

**FY 2009 Projected Lapses:**

Rental assistance Fund:	42,733	Carried over to next FY
CDBG Fund	385,486	Any excess is carried over and reprogrammed
Special Projects Fund (State):	735,669	Excess appropriations, paper lapse
	85,396	Carried over to next FY
Federal Grant Fund:	2,023,731	Excess appropriations, paper lapse
	1,396,233	Carried over to next FY
Section 8 Program Fund:	130,099	Carried over to the following FY as HUD and City FY's differ
Leasehold Conversion Fund:	<u>119,030</u>	Carried over to next FY
	4,918,377	

BFS reported that the Federal and State funds shown as lapses are not "true" lapses. Some grant awards cover multiple years. On these grants, it is often in the best interest of the City's programs to stretch these dollars for as many years as possible and allowable by the granting entity. Other funds such as HUD's CDBG awards are carried over and reprogrammed. In these situations, again, the City does not lose the funds. Instead the funds are allocated to another or other organizations.

DCS receives less than 5 percent in general funds, and the majority of our funding is through Federal and State grants. Federal funding cycles generally do not follow the City's budget cycle and, therefore, DCS is not always able to project the exact amount of funding that will be received for the following City's fiscal year. Staff does their best to estimate and project funding amounts based on the information provided by the grantor at the time and past experience.


It has been a practice to prepare federal grant award projections to be high enough to ensure that the appropriation in the City's budget will be sufficient to cover the funds actually received. However, DCS can only expend the amount actually awarded, and when the actual award is lower than the projected amount (i.e., the budgeted amount), it creates an appearance of funds being "lapsed."

I hope this clarifies some of the possible misconceptions regarding the "lapsing" of funds. Should you have additional questions, I can coordinate a meeting to include appropriate representatives from our office and the Department of Budget and Fiscal Services.

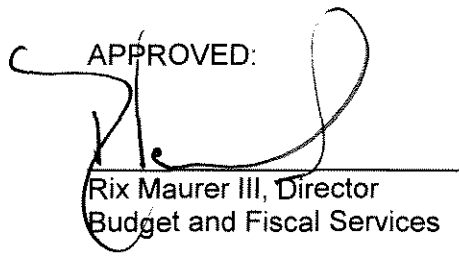
Sincerely,

  
Deborah Kim Morikawa, Director  
Department of Community Services

APPROVED:

  
Kirk W. Caldwell, Managing Director  
Office of the Mayor

APPROVED:

  
Rix Maurer III, Director  
Budget and Fiscal Services